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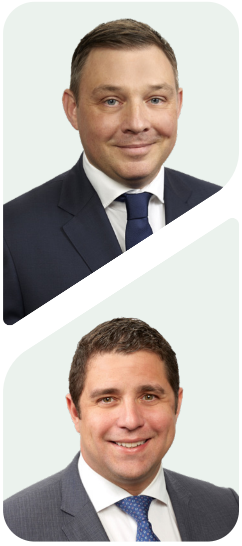

Monthly Commentary: February 2025

Global Essential Infrastructure

- Invests in a portfolio of 25-45 high-quality companies providing essential infrastructure around the globe
- Focus on essential infrastructure is designed to provide attractive long-term returns supported by a healthy yield and superior downside protection
- Companies can also provide strong inflation protection, because of the nature of the assets involved and the regulation and contracts that exist

Managers
Tim Humphreys
& Jonathan Reyes

Date
09/02/25

Capital is at risk. Please read full risk warning at the end of this document.

Performance Review

Fund performance during January 2025 was +1.07% versus the IA Infrastructure sector return of +1.20%.

The month saw the inauguration of President Trump, who moved quickly issuing a raft of executive orders. Whilst investors initially reacted positively, driven by Trump's promises of tax cuts, deregulation and infrastructure spending, the mood became more cautious as the month dragged on. Trump's protectionist policies and stated desire to impose tariffs on imports from other countries led to concerns over a trade war and raised the possibility of higher inflation in the US. Ultimately, while Trump's inauguration set the stage for a period of heightened market activity, uncertainty about his policies will continue to create risks and opportunities for investors in the coming months.

Within Essential Infrastructure, North American rail stocks (+6.9%) performed well on expectation of increased domestic manufacturing. **Norfolk Southern** was a standout performer, rising +8.8%. North American energy infrastructure companies (+1.8%) rebounded during the month, with **Targa** rising +10.7% during the period.

On the downside, US mobile phone tower companies continued to struggle, falling -1.3% over continuing concerns regarding leasing activity and high interest rates. Additionally, Californian utilities such as **Edison International** (-31.6%) and **PG&E Corp**, (-22.4%) fell hard on the back of wildfires in the state, though there were no major fires in PG&E's territory. In relation to Edison, the focus remains on the cause of the Eaton fire. At the time of this report, the investigation remains ongoing and the cause is not yet determined, including if Edison equipment was involved. We continue to monitor the situation, but given the available information, the share price reactions for the Californian utilities appear significantly overdone.

Investment Outlook

As we progress through 2025, Essential Infrastructure stocks remain positioned for continued growth despite increased market volatility. President Trump's administration is expected to introduce fiscal stimulus and deregulation measures, which could benefit US infrastructure investments such as rail, energy and utilities. The AI sector's rapid development is set to drive structural increases in electricity demand, further supporting North American Utilities and energy infrastructure companies. LNG exports continue to play a key role in global energy markets, with Cheniere's Corpus Christi expansion nearing completion.

In Europe, uncertainty remains elevated due to political instability and macroeconomic concerns. However, select infrastructure assets continue to offer attractive opportunities.

Data source: Ausbil and Morningstar

While infrastructure stocks have faced headwinds from interest rates, the fundamental case remains strong. We see valuations as reasonable and continue to focus on high-quality, well-positioned companies. Our long-term investment thesis remains intact, with a robust pipeline of opportunities in energy, transport, and across the utility space.

Infra Know

Trump 2.0, especially tariffs, may seem scary to investors at first, particularly in pipelines that transport crude oil and natural gas between countries. To find out, we asked the leaders of our North American pipeline companies what they actually thought. Given the potential imposition of tariffs so far on Canada, Mexico and China, and potentially Europe, the risks are elevated by any measure. Here's our summary of what they said.

Firstly, cross-border pipelines are regulated or operate under 'take-or-pay' contracts. This protects companies from any reduction in volumes or increased costs arising from the tariffs. Additionally, the impact of tariffs on equipment sourcing for pipelines is expected to be minimal as most companies have strong contractual protections in place with their suppliers and contractors, including provisions that pass through additional costs onto suppliers – like tariff changes – which protects project returns. For the majority of US pipeline projects in the construction phase, pipe materials are primarily sourced from US production that is not subject to tariffs. From this perspective, the impact of tariffs on cashflows and equipment costs are relatively shielded and there should be minimal impact on asset margins.

For North American pipelines, given Trump's pro-business approach, and stated support for fossil fuels for baseload power in the energy complex, opportunities should outweigh the risks. Feedback from these C-suite executives suggests that despite the shock and awe issuing from the Oval Office, the impact of tariffs is likely to be limited, and in the case of pipeline infrastructure, a potential tailwind.

Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP

Intermediary Support. 0808 145 2502

Email. service@marlboroughgroup.com

Website. marlboroughgroup.com

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